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# AICPA *Washington Report*

January 20, 1975  
Volume III, Issue 14

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#### AGRICULTURE, DEPARTMENT OF

The Food and Nutrition Service has proposed amendments to the regulations governing the School Breakfast and Nonfood Assistance Programs and State Administrative Expenses in order to implement FMC 74-7 (see 1/15/75 Fed. Reg., p. 2697). The audit requirements appear in Section 220.26 and specify that audits may be performed by CPAs or LPAs. The time for comment ends 2/14/75.

#### COMMERCE, DEPARTMENT OF

Finalized regulations under the NOAA Costal Zone Management Program have been published (see 1/9/75 Fed. Reg., p. 1683). The regulations incorporate by reference FMC 74-4 and include sections covering the submission and evaluation of management programs and guidelines for such costal zone management programs.

#### FEDERAL DEPOSIT INSURANCE CORPORATION

Notices calling for joint reporting of insured banks, insured mutual savings banks not members of the Federal Reserve System, and insured State banks not members of the Federal Reserve System were published in the 1/8/75 Fed. Reg., p. 1552. The notices concern the filing of Reports of Condition and Reports of Income to FDIC as of the close of business 12/31/74.

#### FEDERAL ENERGY ADMINISTRATION

Proposed rules concerning the collection of information under the Energy Supply and Environmental Coordination Act of 1975 have been issued (see 1/10/75 Fed. Reg., p. 2212). The regulations elaborate on the grant of authority to FEA to collect "energy information" by rule, order, questionnaire, subpoena, interrogatory or on-site inspection. Proposed Section 207.2, in defining "energy information," defines matters relating to energy and fuels, such as corporate structure and proprietary relationships, costs, prices, capital investment, and assets, to be within the scope of the inquiry. Comments are required prior to 1/27/75.

#### FEDERAL POWER COMMISSION

Finalized rulemaking establishing a data collection system were published in the 1/15/75 Fed. Reg., p. 2680. The system is designed to investigate rates charged by jurisdictional natural gas companies for sales of natural gas which were not subject to Commission jurisdiction made pursuant to contracts executed on or after 1/1/74.

Finalized amendments to the Commission's regulations concerning just and reasonable national rates for natural gas sales were published in the 1/14/75 Fed. Reg., p. 2579. The amendments define the terms and conditions under which sales commenced pursuant to the previously-announced optional procedure may be certificated at the national rate.

#### GENERAL SERVICES ADMINISTRATION

The Advisory Committee on Cash Management will hold a meeting on 1/22/75 in Room 6009 of the GSA Building in Washington, D.C. Agenda items include the following: (1) forecasting of cash outlays, (2) cash disbursements, (3) cash collections, and (4) cash control systems. Further information about the meeting may be obtained by calling John Lordan, 202/343-7747.

Several Executive Branch positions with respect to Commission on Government Procurement recommendations have been issued (see 1/8/75 Fed. Reg., p. 1575). Several of the positions deal with procurement procedures directly and will require legislation to implement them. In particular, legislation to eliminate inconsistencies in the two primary procurement statutes and consolidation is considered necessary.

Additionally, comments are being sought on the Recommendation B-10 concerning the establishment of policies and procedures for a consistent treatment of Independent Research and Development and Bid and Proposal costs. The recommendation and dissenting positions appear in the 1/14/75 Fed. Reg., p. 2625 and comments on this matter are requested prior to 2/28/75.

#### HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

Advocates for National Health Insurance have wasted no time in introducing their proposals. Rep. Ullman (D-Ore.), the Chairman-designate of the Ways and Means Committee, has introduced HR 1 entitled "The National Health Care Services Act." His remarks on introduction, an analysis, and a reprint of the bill appear in the 1/14/75 Cong. Record, p. H40. Rep. Corman (D-Ca.), another member of the Ways and Means Committee, is sponsoring the "Health Security Act of 1975." This is the version of NHI supported by the AFL-CIO and other union organizations. He also introduced the bill on the opening day of the session with 56 cosponsors. His remarks on introduction and a reprint of the bill appear in the 1/14/75 Cong. Record, p. H86.

Senators Kennedy and Javits are cosponsoring a similar bill in the Senate (S. 3) and their introductory remarks appear in the 1/15/75 Cong. Record, p. S42. Senator Kennedy quipped that the program proposed will: "free the patient to secure health care, and it will free the provider to be a physician and healer rather than an accountant." In a press meeting following President Ford's Monday night speech in which he stated he would veto any new spending programs, it was brought out that NHI was included among those "new programs." However, the general feeling is that Congress will not get around to passing NHI until 1976.

#### INTERSTATE COMMERCE COMMISSION

The Maritime Administration (MARAD) adopted a new uniform system of accounts for maritime carriers jointly developed by MARAD,

Commerce, and the Federal Maritime Commission (FMC) (see 1/13/75 Fed. Reg., p. 2500). It was noted that the adoption of MARAD's new system will enable carriers to use one system in meeting the requirements of all these agencies. The new system of accounts was made effective 1/1/75 and all annual reports filed by maritime carriers for the year ending 12/31/74 are to be prepared by converting existing accounts to the new account numbers.

Finalized standards for determining rail service continuation subsidies were published in the 1/8/75 Fed. Reg., p. 1624. The standards concern the terms "revenue attributable to the rail properties," the "avoidable costs of providing service," and "a reasonable return on the value" as those terms are used in the Regional Rail Organization Act of 1973. Originally proposed last February with further proceedings conducted in July, this publication contains certain amendments effective immediately. Since the revisions reflect significant changes from the original version, public comments seeking further amendments are being accepted until 2/18/75.

Commissioner Dale W. Hardin, in an interview with Sen. Charles Percy (R-Ill.), has suggested that the ICC be combined with the Federal Maritime Commission as a possible first step in having a combined transportation regulatory agency. Sen. Percy noted that suggestions have been made that the FMC, ICC, and Civil Aeronautics Board should be combined into a single agency to handle all types of transportation matters. Mr. Hardin responded that exploration of this idea could be made and that "perhaps something like a joining of the FMC and the ICC might be considered as a first step."

#### LABOR, DEPARTMENT OF

Finalized regulations under Title VI of CETA were published in the 1/10/75 Fed. Reg., p. 2360. Section 99.71 incorporates by reference the basic administrative regulations dealing with financial management systems and audits.

#### PENSION BENEFIT GUARANTY CORPORATION

Forms for private pension plans to pay a full year's insurance premium under the new pension law have been mailed to over 100,000 plans. Distribution of the form is being made at this time to accommodate the large number of plans whose plan year begins on January 1 and whose payments will be due on or before January 30 to avoid interest. Information and forms may be obtained from the PBGC at P.O. Box 7119, Washington, D.C.

#### SECURITIES AND EXCHANGE COMMISSION

The comment period on the revised proposal on Rule 15c3-1, the net capital rule, and the proposal to adopt an alternative net capital rule for broker-dealers has been extended. Comments may now be filed until 1/31/75.

Following-up on his statement to the AICPA 2nd National Conference on Current SEC Developments that he would reintroduce securities reform legislation as soon as the new Congress convenes, Rep. John E. Moss (D-Ca.) introduced HR 10 on the first day of the new session. The bill, embodying the major provisions of HR 5050 which was defeated in the last Congress, is expected to see quick action soon after the Committees get to work.

TRANSPORTATION, DEPARTMENT OF

Interim standards, guidelines and procedures to implement recent amendments to the Urban Mass Transportation Act of 1964 have been published (see 1/13/75 Fed. Reg., p. 2534). The notice and guidelines provide preliminary guidance on the implementation of a new program of federal assistance through grants which may be used either for capital or operating assistance. Financial statements are to be "certified" by a CPA. Interested parties are invited to file comments, "at their earliest convenience." Formal proposals for final regulations will be published at a later date.

TREASURY, DEPARTMENT OF

Finalized amendments to the Income Tax Regulations concerning carry-over of inventories and accounting methods in certain corporate acquisitions have been published (see 1/15/75 Fed. Reg., p. 2683). The amendments (T.D. 7344) provide generally that in a transaction involving carryovers in certain corporate acquisitions, the acquiring corporation shall use the same inventory method used by the distributor or transferor corporation, unless different inventory methods were being used by the several parties to the transaction. If different inventory methods were used, the acquiring corporation shall normally use the principal method used for each particular type of goods on the date of the transaction.

Proposed amendments to the tax regulations concerning industrial development bonds were published in the 1/15/75 Fed. Reg., p. 2694. The proposal further defines a pollution control facility for the purposes of exceptions to the exclusion from gross income of interest on an industrial development bond.

Interim procedures for limited tax deduction for employees not covered under a pension plan have been announced. The announcement, contained in TIR-1335, deals with the interim procedures for obtaining rulings and determination letters for Individual Retirement Accounts (IRAs). Effective as of 1/1/75, the forms mentioned in TIR-1335 are to be available by the end of the month.

Proposed exemptions from prohibited transaction provisions of the new pension reform law for broker-dealers were published in the 1/13/75 Fed. Reg., p. 2454. Similar proposals were also issued by the Labor Department. Comments on the proposal are to be filed by 1/21/75 and a hearing will be conducted on that day at 10:00 a.m., at the IRS Building, 1111 Constitution Ave., Washington, D.C.

An emergency tax cut for lower and middle income groups will be the first order of business for the House Ways and Means Committee, according to Rep. Ullman (D-Ore.). Following the President's call for a temporary tax cut, Mr. Ullman has said he hopes to have a tax cut bill out of his Committee by early March and on the President's desk by the first of May. A more generalized tax reform measure, according to Mr. Ullman, would be put off until mid-year.

SPECIAL: CONGRESSIONAL SENORITY SYSTEM BEING BROKEN-UP

Edward Hebert (D-La.) and W. R. Poage (D-Tex.) were unseated by the House Democratic Caucus from their Chairmanship of the Armed Services and Agriculture Committees, reflecting a new revolution which may be representative of the 94th Congress. Showing that they were not going to be governed by the Democratic Steering Committee, the Caucus also rejected the Committee's nominations of Rep. Reuss (D-Wisc.) and Rep. Thompson (D-N.J.) to replace Rep. Patman (D-Tex.) and Rep. Hayes (D-Ohio) as Chairmen of the Banking and House Administration Committees. These actions were seen as representing the rejection of the tradition-bound seniority system in Congress by the infusion of 75 newly-elected Democratic representatives bringing a younger and more liberal cast to the House.

Earlier in the week, Sen. Curtis (R-Neb.) defeated Sen. Javits (R-N.Y.) to become Chairman of the Senate Republican Conference on a vote of 23-14. Other Senate leaders were reelected. Additional meetings of the House Steering Committee and House Democratic Caucus are scheduled this week.

SPECIAL: 1975 PRESIDENT'S EXECUTIVE INTER-CHANGE PROGRAM ANNOUNCED

Nominations are being accepted for the 1975/76 President's Executive Inter-Change Program. The program provides private sector executives as well as Federal executives with the opportunity to work in challenging positions in other sectors for a one year period. The deadline for receipt of nominations for this year's program is 3/1/75. A brochure providing additional information about the program and the requisite qualifications for selection, may be obtained by calling 202/632-6834.



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